

Statement of

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UNITED STATES SENATE**

on

COMMON CARRIER BUREAU OVERSIGHT

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Mr. Chairman, Ranking Member, and Members of the Subcommittee, thank you for the opportunity to discuss the activities of the Common Carrier Bureau of the Federal Communications Commission.

The primary focus of the Common Carrier Bureau's activities over the past two years has been the implementation of the Telecommunications Act of 1996. In my testimony today, I would like to highlight some of our major accomplishments, identify key areas of activity in the coming months, and discuss the ways in which we are changing the way we do business in order to achieve more effectively the policy goals established by Congress.

The Common Carrier Bureau's work has been and will continue to be dominated by our efforts to implement the 1996 Act's "pro-competitive, deregulatory national policy framework," to bring greater competition to all communications markets, and to ensure that universal service and other public interest provisions of the Act are fully implemented in a manner that, consistent with congressional intent, yields the best results for the American people. The Commission has already adopted over fifty notices and orders drafted by the Common Carrier Bureau that implement the 1996 Act, as well as acting on four Section 271 applications by the Bell Operating Companies for entry into in-region long distance.

The core provisions of the 1996 Act seek to foster competition in all markets, especially local and long distance telecommunications markets by removing legal and economic barriers to entry, while maintaining the national commitment to universal service. The Common Carrier Bureau is charged with implementing these key provisions of the Act.

The Bureau drafted the orders that enabled the Commission to adopt rules on interconnection within six months, as required by the Act, and enabled the Federal-State Joint Board on Universal Service to issue its recommended decision within the nine-month statutory deadline. Subsequently, in May 1997, the Commission adopted an order largely ratifying the recommendations of the Joint Board that are designed to make federal universal service policies more consistent with a competitive environment. The Commission in May also adopted the first comprehensive reform of its interstate access charge policies that is intended to make that system of charges more compatible with the 1996 Act's competitive paradigms.

The following month, in June 1997, the Commission issued its first order deciding a 271 application for Bell Operating Company entry into the in-region long distance business. In deciding that application and the three subsequent 271 applications, the Commission met the 90-day statutory deadline. In addition to these proceedings, the Bureau over the past two years has been responsible for drafting recommendations to the Commission in a wide variety of other important areas, including Section 272 safeguards, Bell Company provision of out-of-region long distance service, detariffing of interexchange carrier services, and the North American Numbering Council, to name just a few.

As we finish out 1998, we expect continued activity in the areas of universal service and BOC entry into long distance, as well as the commencement of a proceeding on Section 706 concerning deployment of new technologies.

Universal Service

We have dedicated substantial resources to implementing the universal service

requirements of the 1996 Act. Under Congress' leadership, our universal service policies have given the United States the most extensive and highest quality telephone network in the world, while ensuring that citizens in rural and high cost areas share in the benefits of the telecommunications boom. In the 1996 Act, Congress laid out a vision of universal service that is oriented to the future, and recognizes that universal service is an evolving concept.

Last May, the Commission adopted a plan for implementing changes to the system of universal service to make it more compatible with the pro-competitive, deregulatory framework of the Act, while maintaining the full commitment to providing service to all Americans. In January 1998, the FCC implemented the first step in that plan by changing the existing high cost program to make the collection of contributions competitively neutral, and to make the subsidy portable among competitors.

To be responsive to Congress's mandate in Section 254 of the Act, we must continue to find ways to ensure that telephone rates remain affordable, and to ensure that telecommunications services remain comparable in all areas of the country. We currently expect to address universal service high cost issues for non-rural telephone companies in two steps, with an order adopting a platform mechanism for estimating forward looking costs in the very near term, and with orders on other implementation issues, such as the level of federal universal service support, by late summer. We will also continue to implement the Act's requirements concerning the provision of universal service support to our nation's classrooms, libraries, and rural health care facilities.

Section 271

In December 1997, Chairman Kennard directed the Bureau to think of new ways to

address issues relating to the implementation of Section 271, and to begin discussions in advance of 271 filings so that the process would move more smoothly. Building on what we learned in addressing the first four applications, the Bureau initiated an open dialogue with the BOCs and other interested participants to focus and clarify the Commission's review of BOC applications to provide in-region long distance service, and to define the issues underlying the statute's requirements. Our on-going dialogue with the BOCs and other interested participants is intended to assist in the opening of local markets, thus fostering competition for both local phone service and long distance service in the BOCs' regions.

Giving consumers the opportunity to enjoy the lower prices and expanded choice that flow from competition requires that we continue to review carefully the Bell Operating Companies' Section 271 applications requesting authorization to provide in-region long distance service. It is crucial that a BOC satisfy the statutory checklist and other requirements contained in Section 271 before it is permitted to enter the long distance market. If a BOC is permitted to offer long distance service as well as local service before it has opened its local market to competition, we are concerned that the goals of the Act -- a competitive and deregulated marketplace -- will be realized much more slowly than Congress anticipated.

Section 706

Section 706 of the Telecommunications Act is intended to promote the deployment of advanced telecommunications infrastructure to all Americans. Under Section 706, the Commission must undertake an inquiry no later than August of this year concerning the availability of advanced telecommunications capability to all Americans, including children in schools, and customers in rural areas. Several of the Bell Operating

Companies have already filed petitions under Section 706, seeking authorization to offer high speed data services on an interLATA basis within their service territories. One of the most important tasks for the Bureau this year is to develop recommendations for the Commission on how to promote efficient deployment of the advanced infrastructure contemplated in Section 706. These recommendations must focus on how to encourage the deployment of high bandwidth access to all Americans, including those in rural areas. We will also focus on ensuring that all competitors -- wireline, wireless, cable, satellite -- have an opportunity to play major roles in the deployment of these services.

Other Activities

In addition to these proceedings, the Bureau will be devoting significant resources to other important issues. For example, I anticipate that in the coming months the Bureau will be preparing recommendations to the Commission concerning pricing flexibility for incumbent local telephone companies, more efficient use of numbering resources, revisions to our Part 68 rules for equipment registration, and several mergers that are currently pending before the Commission. The Bureau also will continue to carry out its day-to-day responsibilities, such as reviewing the hundreds of individual tariff transmittals that the incumbent local exchange carriers file each year.

Streamlining

Chairman Kennard has directed the bureaus to undertake top-to-bottom reviews of their rules and processes. We are moving forward with this review, building on the streamlining, deregulation and reorganization that have been central to our operations in recent years. On February 5, 1998, Commission staff released a list of thirty-one

proceedings it proposed to be initiated as part of the 1998 biennial review. The proposed proceedings are aimed at eliminating or modifying regulations that are overly burdensome or no longer in the public interest. The list included a wide array of common carrier rules, such as the Part 32 uniform system of accounts rules, Part 41 telegraph and telephone franks (or free service) rules, Part 43 reporting rules, Part 61 price cap rules, Part 62 interlocking directorate rules, Part 63 international certificate rules, Part 64 customer premises equipment bundling rules, and Part 68 equipment rules.

Enforcement

The importance of the enforcement of the Commission's procompetitive and proconsumer rules has increased in an era of deregulation and increased competition, as informal complaints and inquiries have increased. It is critical that we shift to a new paradigm for enforcement that relies more on companies to certify that they are in compliance with our regulations, but with increased enforcement for non-compliance. Swift, predictable, and sufficient enforcement is critical as competition takes hold in previously monopoly markets.

Common carrier oversight is required to ensure that consumer abuses such as the unauthorized transfer of long distance carriers, also known as "slamming," are curtailed. In 1995, for example, the Enforcement Division of the Common Carrier Bureau received 25,482 complaints and inquiries about various telephone consumer abuses and concerns such as "slamming" and disputed billing charges. By 1997, the number of such complaints nearly doubled to over 44,000.

We have recently undertaken several initiatives to strengthen both our procedures for

handling complaints against carriers, and our substantive rules designed to protect consumers. For example, the Commission recently adopted price disclosure requirements for away-from-home public telephone calls to help end telephone price gouging by operator service providers. We are also taking aggressive enforcement actions against those that engage in consumer fraud. Indeed, the Commission recently adopted an order from the Bureau revoking the license of one of the worst "slamming" violators, and fining the company and its principals more than \$5.6 million.

We also intend to strengthen our enforcement program by using the latest technical and engineering techniques to improve consumer complaint resolution, by partnering with the private sector and with other governmental units to resolve shared telecommunications issues, by strengthening our consumer information outreach, and by using industry and customer feedback to determine effective levels of enforcement and appropriate enforcement policies and procedures.

Conclusion

Mr. Chairman, the world of telecommunications is changing, and we in the Common Carrier Bureau recognize that we must change with it. We are committed to the ongoing review of our policies to ensure that they are as pro-competitive and deregulatory as possible. We are also committed to reviewing our organizational structure to ensure that it supports these policies, and enables us to achieve the goals of Congress and the Commission as efficiently as possible.

Thank you, Mr. Chairman, for the opportunity to appear before you today. I'd be pleased to answer any questions you may have.